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February 5, 1998

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CERTIFIED MAIL
RETURN RECEIPT REQUESTED

David McCormick
Senior Litigation Analyst
Fireman's Fund Insurance Company
Environmental Claims Facility
777 San Marin Drive
Novato, CA 94998-3400

Re: Potential Claim for Environmental Damage in the
Coeur d'Alene Basin, Northern Idaho

Policy Nos.: LC2045403 (9/1/73 - 8/1/75)
XLB 1060015 (1/18/71 - 9/1/73)
XLX 1366382 (6/18/79 - 8/31/79)
XLX 1366433 (8/31/79 - 8/31/80)
XLX 1436247 (12/15/80 - 2/1/82)
XLX 1482416 (2/1/82 - 10/1/82)
XLX 1395199 (10/1/83 - 10/1/84)
XLX 1687455 (10/1/84 - 10/1/85)

Claim Nos.: 105-97-129939
105-97-129940

Dear Mr. McCormick:

Thank you for your letters of December 16, 1997, in which you acknowledge notice of the above-referenced claim on behalf of Fireman's Fund Insurance Company

M2377/59
02/05/980470621.01



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("Fireman's Fund") and National Surety Corporation ("National Surety"). Our responses to the requests for information contained in your letters follow:

1. Details pertaining to Group R's incurred costs, estimated dollar value exposure, and volumetric share at the site.

RESPONSE: See Group R's written response to the USEPA's 104(e) Request for Information ("Group R's 104(e) Response"), a copy of which is enclosed. If you wish to receive copies of the documents included in that response, please contact me or Michael Lichtenstein of this office. In addition, as this matter is still in the preliminary stages, no formal or official estimate of damages has been provided to us, nor have we been provided with a formal estimate of Group R's share of damages, if any. The United States Department of Justice has advised us informally, however, that the total clean-up costs and Natural Resource Damages associated with the Coeur d'Alene Basin in Northern Idaho could reach two billion dollars (\$2,000,000,000).

2. Describe all waste, storage, processing, or disposal activities at the site.

RESPONSE: See Group R's 104(e) Response.

3. Provide a history of the site, including the dates [and] nature of Group R's ownership and operations.

RESPONSE: See Group R's 104(e) Response.

4. Indicate when Group R first became aware of any pollution or environmental contamination relating to the site.

RESPONSE: See Group R's 104(e) Response.

5. Describe the present status of any investigation or remediation at the site.

RESPONSE: As stated above, this matter is still in its preliminary stages. It is Group R's understanding that a number of removal actions have been conducted pursuant to two AOCs. Group R has not been asked to participate, and in fact has not participated, in those efforts.

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6. Provide a copy of the site characterization and the most recent site status pertaining to the contamination and/or remediation at the site.

RESPONSE: Currently, Group R does not have any documents responsive to this request.

7. Forward periodic status reports regarding any developments and/or proceedings relating to the site.

RESPONSE: Currently, Group R does not have any documents responsive to this request. We will continue to keep you updated as to the progress of this matter as it proceeds.

8. Advise of any settlement negotiations and all settlement offers and demands.

RESPONSE: We anticipate hearing from the Government in early 1998 with regard to a settlement proposal in connection with this matter and will contact you when a settlement proposal is received.

9. Identify by carrier, policy number, effective dates, limits, and policy type all of the policies under which Group R is seeking coverage.

RESPONSE: As you know, this matter is still in the preliminary stages. We currently are in the process of determining our client's full insurance profile. Accordingly, we cannot provide you with this information at this time. We note, however, that this information should not be necessary for you to make a coverage determination with respect to the applicable policies referenced above and we expect that our inability to provide this information at this time will in no way delay your coverage determination.

10. Information regarding the impairment and/or exhaustion, if any, of all the potentially applicable underlying policies.

RESPONSE: See response to no. 9 above.

11. Copies of all demands, notices, claims, and/or suits or judicial proceedings pertaining to the site.

RESPONSE: Other than the motion papers sent to you with our letter of October 31, 1997, Group R does not possess any documents responsive to this request at this time. If we receive any additional information, we will provide it to you.

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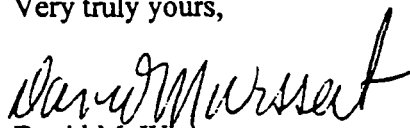
12. Any other information that would assist Fireman's Fund in evaluating this matter.

RESPONSE: None at this time.

We will continue to keep you updated with respect to the progress of this matter.

If you have any questions or require any additional information, please do not hesitate to contact me or Michael David Lichtenstein of this office.

Very truly yours,



David M. Wissert

DMW:dmw

Enclosures

cc: Michael David Lichtenstein, Esq. (w/o encl.)

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